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Congress of the United States

House of Representatives

COMMITTEE ON WAYS AND MEANS

WASHINGTON, DC 20515

SUBCOMMITTEE ON OVERSIGHT

July 16, 2012

Honorable Douglas H. Shulman
Commissioner
Internal Revenue Service
1111 Constitution Avenue, NW
Washington, DC 20224

Dear Commissioner Shulman:

Every year, taxpayers rely more and more on information technology ("IT"), such as electronic filing and the Internal Revenue Service (IRS) website (www.irs.gov), to alleviate some of the burdens of tax compliance. Each year, the IRS's budget reflects increases in operations support, which includes amounts for information technology. We would like to understand better how the budget requests have been and will be used to improve taxpayer services and tax administration on a practical level and whether the IRS is putting its IT resources to the highest and best use. Indeed, in FY 2012 the IRS's IT budget was approximately $2.1 billion, rounding out the ten-year total spending to over $19.4 billion in this area.

It is critical that the Subcommittee on Oversight take a deeper look at the manner in which the IRS is utilizing its budget to ensure that American taxpayers are deriving the maximum benefit from the Agency's work and that the modernized computer systems improve and enhance revenue collection and tax return processing. To this end, please provide answers to the following questions no later than August 13, 2012.

1. Describe the IRS's IT systems budget process.

    a. What channels of approval are required for the various elements of the IRS's IT infrastructure spending?

    b. Please provide a flow chart and timeline that traces the budget process identifying offices, titles and locations of the associated decision makers.

2. How are IT resources spread across development, maintenance and operations functions? Given that these functions are managed differently, please describe the metrics used to judge their respective performance. Please provide a

representative sample of management reports reporting on these functions.

3. How does the IRS determine which IT systems to pursue every year?

4. Does the IRS reexamine its IT base budget on a yearly basis?

    a. If so, please provide the budgetary justification, broken down by system for the last ten years. Include a narrative description of the project, the functionality that was planned, the functionality delivered, the projected and actual delivery dates, and total spending.

    b. Please provide the information noted in subsection (a) with respect to ongoing systems for the last ten years, including a narrative description of each system and its purpose, along with the budget justifications for the continued investment in each system. Include forecasted and actual maintenance cost for such systems, broken down by year, system, and function.

5. Does the IRS analyze how IT infrastructure spending correlates to improved taxpayer services? Please provide a detailed breakdown of the last ten years of IT spending that directly improved taxpayer services.

6. Describe how the IRS reexamines its IT needs on a yearly basis. Does the IRS develop a strategic IT plan that includes a top to bottom reexamination of its systems infrastructure? For instance, does the IRS evaluate its "processing, assistance, and management" IT budget with an aim to improve and advance these functions? If so, please provide a narrative description of this process, along with the data used and gathered to analyze the last ten years of IT spending and identify key decisions made on the basis of this analysis.

7. As with most agencies, the IRS orients its budget planning and execution to the fiscal year. How do you manage and control the scope of multi-year IT projects? Provide a list of major IT projects, including the original estimated cost, the baseline budget, noting changes over time, and final cost.

8. Please describe IRS's process to ensure that IT systems support business needs (include a discussion of how business representatives are involved in the decision making process.)

9. It is our understanding that IRS is currently working on completing the initial phase of the CADE 2 database, which will function as the foundation for tax systems modernization.

    a. Please describe the work that remains to be completed for the initial phase, the planned budget for the remaining work, and the anticipated timeline for completion.

    b. Provide a historical overview of all CADE 2 spending and provide a

narrative of the functionality expected and delivered to date, broken down by year.

    c. Describe what the IRS expected to deliver in the next phase of CADE 2 and what has been done to date, to this end.

10. Please describe the IRS's overall IT modernization plan. What are the goals of IT modernization? How do you/will you judge the effectives of the modernization program? At what point will the IRS's modernization effort conclude? What is the IRS doing to ensure that the systems improved or replaced by the modernization effort are not outdated by the time of completion? Include a breakdown of each element of the plan, projected time frames for completion, and a narrative of the expected functionality at each juncture.

Should you have any questions regarding this request, please contact Mark Epley or Jen Acuña at (202) 225-5522 or Karen McAfee at (202) 225-4021.

Sincerely,

Charles Boustany, Jr., MD
Chairman
Subcommittee on Oversight

John Lewis
Ranking Member
Subcommittee on Oversight